

DEPARTMENT OF WATER RESOURCES

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Counter-Proposal

State Water Project – Contract Extension
Proposed Agreement in Principle for Objective #3 – Simplify the Billing Process

Implement Freeze – Go***Concept - Amend the existing contract to establish a “Freeze – Go” Billing System.**

- For all costs incurred prior to January 1, 2016, continue repayment consistent with current contract terms
- For all costs incurred after December 31, 2015, convert repayment to a Pay-As-You-Go methodology.

1. Project Repayment Period

Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to January 1, 2016. The term of the Project Repayment Period will remain the same (e.g. January 1, 1961 through December 31, 2035). Retain the condition that if any bonds for the purposes of the State Water Project are sold past the termination date of the extended contracts, the contract termination date will be extended until the bonds are fully repaid.

2. Project Interest Rate

Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to January 1, 2016. The Project Interest Rate will remain 4.610%

3. Amend Articles 22 – 29 and 50 (WSRB Surcharge) to add reimbursement of costs using a Freeze – Go methodology

All costs incurred prior January 1, 2016 will be allocated and repaid the same way it has been done historically. For costs incurred after December 31, 2015, amend the contract to recover Capital and Minimum cost based on actual debt service, not DWR costs. Article 50 will be amended so the WSRB Surcharge will only apply to costs incurred prior to January 1, 2016.

Variable Costs

Contractors to pay projected variable costs up-front each month.

* Assumes an Implementation date of January 1, 2016.